



*Regulation of Prepaid Calling Card Services*  
WC Docket No. 05-68  
December 2005

**Principles**

- Correct jurisdictional information must be passed through to the terminating LEC so appropriate USF assessments and access charges can be applied to the call.
- Carriers must be prohibited from inserting, removing or altering information that changes the jurisdictional nature of the call, including at the calling card platform.
- FCC should reject any attempt to sweep all prepaid calling card traffic into the interstate bucket as an interim solution as AT&T originally suggested as an alternative.

**The Certification Proposal**

***Developing the PIU***

- A methodology must be established for developing the reported PIU to ensure accuracy and eliminate incentives to avoid reporting actual data if the default PIU would provide too great a benefit:
  - 1) Determine a PIU according to all jurisdictionally identifiable traffic.
  - 2) If the volume of jurisdictionally unidentifiable traffic is 30% or less of a provider's total traffic, the PIU established under (1) will be applied to the unidentifiable traffic to develop a "blended" PIU for that provider's total prepaid traffic; and
  - 3) If the volume of jurisdictionally unidentifiable traffic exceeds 30% of the provider's total prepaid calling card traffic, or if the provider fails to report a PIU, then a default PIU of 20% interstate (and 80 percent intrastate) applies.
- GCI supports a 20 inter/80intra default split to deter gaming of minutes to a lower (but wrongly applied) interstate jurisdiction.

- Whatever default is chosen, however, there must be a mechanism for addressing gaming where a provider would pay less under the default than the actual information. This gaming problem can be addressed by allowing any interested party to challenge its application when the demonstrable calling pattern for a given LEC in a specific LATA (or in the case of Alaska, per state) departs from that default.

### ***Treatment of Incomplete Calls***

- The PIU must be applied to incomplete calls, rather than as if they all “terminate” at the platform. AT&T’s proposal to treat as interstate all calls where “there is no terminating leg of a call” between the calling card platform and a called party creates a significant loophole for PIU development and could be seen as an endorsement for the previously rejected two-call theory. Audit rights and a statement from the FCC ensuring enforcement action when all incomplete calls are treated as interstate can help protect against the misclassification of such calls.
  - GCI and AT&T agree that “[f]or those calls, where there is an outbound call attempt to make an end-to-end intrastate call via the platform, providers should pay intrastate originating access for the duration of the call attempt,” and requested that its July 15 ex parte (setting forth the certification proposal) be amended to adopt the change. *AT&T Ex Parte* October 28, 2005.

### ***Audit Rights***

- Critically, the FCC should state that not only must audit rights be afforded to LECs, which are expected to rely on PIUs in the absence of actual call data, but also to other defined “interested parties” such as IXC’s, whose access payments may be affected by the PIU reportings of others.

### **Enforcement**

- FCC should adopt an enforcement regimen for any entity found stripping or altering jurisdictional information on a call or routing calls to evade jurisdictional classification. Enforcement Bureau should initiate an investigation within 30 days of such a submission supported by test calling. Under the FCC forfeiture scheme, each minute should be treated as a separate offense.
- As an interim measure and until comprehensive intercarrier compensation reform is adopted, where a carrier intentionally masks the jurisdictional classification of a call the billing carrier should be permitted to charge the highest applicable access rate (plus any additional transport rate) for that traffic to deter such future activity.